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PERCEIVED PROMOTIONAL MIX AND CUSTOMER PURCHASE INTENTION AT COFFEE TOFFEE BANDUNG SILIWANGI

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Abstract- *As the tourism sector develops, numerous coffee shops emerged in Bandung city. By that, demand for coffee bean to farmers increased up to 20% in the midst of development. To sustain the industry that has big impact on economic development in the city, this research aims to empower café businesses by taking Coffee Toffee Bandung (CTB) Siliwangi encountered problems pertaining to marketing aspect as the case. CTB Siliwangi is still trying to recognize the market pattern and capture the behavior of its market. Coffee Toffee that targeted young-adult executives, now must adjust and offer the needs and wants of college students as well. By that, CTB can understand the purchase intention of college students by communicating effectively using the promotional mix. This research attempts to examine the current condition of Coffee Toffee Bandung (CTB) Siliwangi potential buyers' purchase intention and its relationship to Perceived Advertising, Perceived Sales Promotion, Perceived Public Relation and Perceived Personal Selling. Online questionnaire using Likert Scale was designed to 205 respondents in Bandung with purposive sampling method. The questionnaire was measured by Multiple Linear Regression to explain the relationship between dependent variable and independent variables. This study finds that advertising, sales promotion, public relation and personal selling have positive relationship to purchase intention. This study is expected to provide a valuable result regarding the significant impact between advertising, sales promotion, public relation and personal selling towards purchase intention at CTB Siliwangi. However, sales promotion has no significant impact to purchase intention at CTB Siliwangi in this study. The essence of this study is to be useful for practitioners and the academicians to support the strategy and the references of related areas.*

Keywords: *Purchase Intention, Promotional Mix, Marketing*

Introduction

Growth of café in Bandung is continuously increasing from year 2011 to 2015 (Portal Data Kota Bandung, 2015). Moreover, Bandung city have achieved 8% economic development in 2017. It is caused by the large number of the city population that turned Bandung City as the central of transaction that mostly coming from food and beverage industry that includes café (Perdana, 2017). Furthermore, it was found that the revenue growth in the coffee segment in Indonesia amounts to US\$1,395m in 2018.

To sustain the industry that has big impact on economic development in the city, it is important to empower the business by solving each of their problems they encounter, particularly the marketing aspect for this research. Marketing is highly important for a business because it is the process of informing, communicating and delivering the value of the organization has to offer for their customers. This research will be performed on Coffee Toffee Bandung (CTB) as one of Indonesian brands that serves authentic coffee beans from Indonesia. The company was established in Indonesia in 2006 by Odi Anindito as the founder of the company. He sees the growth of foreign brands in coffee shop industry in Indonesia is increasing, yet Indonesia as one of the top coffee producers in the world do not emphasize its *local content* that much (Nabiel, private interview, 10/29/2018).

The company's long term objectives are to gain awareness from all areas in Bandung and to increase traffic in the café so that it will gain a long-term and substantial revenue. But, he also stated that CTB must recognize the behavior of college students who most likely to make visits rather than their primary targeted segment, the young professionals and must know how to reach them (Nabiel, private interview, 10/29/2018).

Promotional mix is one of the promotion tools that has been proven by previous research by which it can help increasing company sales (Khanfar, 2016). By that, promotional mix is expected to be able to inform, persuade, reach larger potential customers, and build customer's perception that will drive customer intention to make a purchase. Hence, this research is intended to find the correlation between perceived promotional mix and customer purchase intention at Coffee Toffee Bandung.

Literature Review

This section will explain about the literature reviews used in this research which includes Coffee Toffee Bandung Siliwangi background. This is to better understand each aspect of the research

Coffee Toffee Bandung

The term "Coffee" refers to coffee bean and "Toffee" refers to cocoa. The company vision is to be the icon of Indonesian coffee brand. Coffee Toffee keep expanding its business and for the first time opening its branch in Bandung city named Coffee Toffee Bandung (CTB) which is located at Jl. Siliwangi No 14, Hegarmanah, Cidadap and it is very accessible for college students from surrounded universities such as Institut Teknologi Bandung, Universitas Parahyangan, Universitas Padjajaran, Universitas Pasundan and Universitas Komputer Indonesia.

Coffee Toffee Bandung (CTB) Siliwangi have done few efforts in advertising to reach larger audience in Bandung. Their online marketing to advertise mainly uses Instagram. Their YouTube reached 87 views with zero like out of 7.500 subscribers. Thus, YouTube platform has not fully utilized by the café. Furthermore, radio is one of the marketing channels of CTB but the ad was only on radio once for grand opening in Bandung.

Moreover, there are several monetary sales promotion for all beverage for the customers. For customers, CTB gives sales promotion for Digibank card users, communities, CTB members, those who brings car and paid for valet parking service, students, online transportation riders and customers that purchase for take-out. By that, CTB aims to create good impressions and will attract more customers by the offerings. In addition, sales promotions for employees and franchisee are offered but not significantly impact the sales. Furthermore, Coffee Toffee Bandung tries to gain awareness by engaging entrepreneurs, stand-up comedians, gamers, motorcycle and car enthusiasts to be part of Coffee Toffee Bandung "community warehouse" program, to held activities such as gathering, workshop, birthday parties and live streaming together to be able to enjoy promotions applied. Coffee Toffee Bandung uses Instagram as channel to maintain good communication with the public. Testimonies from customers and influencers like Barsena Bestandhi and Alika Islamadina are posted on Instagram. This platform is used to give visual representation of the store ambiance and the product presentations to the public.

Moreover, barista of Coffee Toffee Bandung required to help customers by giving food and beverage recommendations. Moreover, they also remind the customer of what promotions do they have so that they will purchase more. And those who make purchase above Rp.100.000 in one bill are offered to make loyalty cards. In conclusion, CTB Siliwangi current condition must shift from originally targeting only young professionals and now must also serves the college students. Thus, this research aims to assessing potential buyers of CTB Siliwangi perception towards the promotional mix applied and its influence to purchase intention.

Hypothesis Development

This research will refer to perceived promotional mix and customer purchase intention to test the following hypothesis

1. Relationship between Perceived Advertising and Purchase Intention

Previous researches had proven that there are two advertising appeals may lead to different effects on consumers' attitudes and purchase intention. First, emotional advertising, that is intended to persuade consumers getting a positive reward or to avoid punishment feeling (Davies, 1993). Second, rational advertising is intended to emphasize the functionality, features and benefit or reason when using the product. Thus, advertising can positively influence purchase intention.

H₁: Perceived advertising is significantly related to purchase intention.

2. Relationship between Perceived Sales Promotion and Purchase Intention

Consumers' purchase intention increases on product that has promotions, particularly when type of promotions and level of discount applied (Chandon, Wansik and Laurent, 2000). The monetary promotion proven that it has a superior statistically significant effect on purchase intention, by which financial benefits might be directly and immediately visible to consumers (Chandon, Wansik and Laurent, 2000). Previous research found that monetary promotions that associates with a purchase by quantity and convenience will affect consumer perceptions of economic benefit they will receive (Santini et al., 2015; Ailawadi et al., 2009). By that, sales promotion has positive influence towards purchase intention.

H₂: Perceived sales promotion is significantly related to purchase intention

3. Relationship between Perceived Public Relation and Purchase Intention

Customers will likely to avoid the organization and products on information that creates negative feelings on customers. In other words, when public relation approach able to create positive feelings, then customers will not stop buying or interacting with the organization (Achilov, 2016). Moreover, previous study found that public relations have been considered as the most important element in increasing sales of the company because it gains trustworthiness of the potential customers (Papasolomou et al., 2014). Hence, public relations can positively influence consumer intention to purchase.

H₃: Perceived public relation is significantly related to purchase intention

4. Relationship between Perceived Personal Selling and Purchase Intention

Personal selling plays important role in affecting consumer buying intention through oral presentation in conversations (Achumba, 2000). Perceived sales person as the expertise, will influence consumers pay more attention to the advice (Woodside & Davenport, 1974). Moreover, power, expertise, attractiveness and credibility characteristics must be shown when communicating to the customers so that it will influence customers by generating compliance (Woodside & Davenport, 1974). Thus, personal selling can positively influence purchase intention.

H₄: Perceived personal selling is significantly related to purchase intention

Data Collection and Analysis

In this research, the author uses a primary data mainly collected through questionnaire. The questionnaire is designed to fit the variable within promotional mix and purchase intention, which is perceived advertising, perceived sales promotion, perceived public relation, perceived personal selling, and intention to purchase.

Perceived advertising, variable contain 10 questions represented as A1 through A10. And perceived sales promotion contain 9 questions represented as SP 1 through SP9. Meanwhile, perceived public relation contain 7 questions represented as PR 1 through PR10. And perceived personal selling contain 5 questions represented as PS 1 through PS5. Lastly, purchase intention contain 4 questions represented as PI 1 through PI4.

Population and Sample

The target of population in this research is based on age, socioeconomic status, and occupation of CTB potential market. The potential markets are female and male that age 18 to 25 years-old who are coming from middle to upper class that live in Bandung as college students or young workers and frequently make a visit in café.

Minimum sample size that will be used is 200 respondents from the population since this research type is problem-solving research (Malhotra, 2015). In this research, the sample size will be collected from 205 respondents.

This research use judgement sampling method. Judgmental sampling is non-probability technique when the researcher uses his/her experience and condition to point the target sample (Bhat. A, n.d.). Since sample can be determined by target market that are correlated for the purpose of this research. The targeted respondents for this research are female and male that age ranges from 18-25 year-old that are college students with allowance above 1 million Rupiah/month and is coming from middle to upper class and those who are frequently make visit to café. This is in accordance to CTB Siliwangi target market.

Variable Operationalization

This section will be explained about variable that being measured in this research. In depth, explanation about how the variable measured and the source of its adoption will be explained. The lists of variable are: perceived advertising, perceived sales promotion, perceived public relation, perceived personal selling and purchase intention.

1. Perceived Advertising

First variable in this research, perceived advertising refers to the two advertising appeals that may lead to different effects on consumers' attitudes and purchase intention. First, emotional advertising that can be classified into positive and negative (Taute *et al.*, 2011). Keshari and Jain (2014) stated that guilt, fear and shame are main negative emotions, while positive emotions are love, pride, prestige and joy. Second, rational advertising conveys messages that are based on facts, learning, and logic of persuasion (Grigaliunaite and Pileliene, 2016). In this case, it refers to which advertising appeals applied in CTB Siliwangi that perform best. The measurement of perceived advertising contained ten items and modified to the context of this study and using Likert scale. The list of questions adopted from Grigaliunaite and Pileliene (2016).

2. Perceived Sales Promotion

Second variable in this research, perceived sales promotion refers to monetary promotion that proven has a superior statistically significant effect on purchase intention and provide utilitarian value, by which financial benefits might be directly and immediately visible to consumers (Chandon, Wansik and Laurent, 2000). Out of the two types of promotion, non-monetary promotion is not involved because only monetary promotion applied at CTB Siliwangi. Also, it is to see which monetary promotion specifically that preferred the most. The measurement of perceived sales promotion contained nine items and modified to the context of this study and using Likert scale. The list of questions adopted from Chandon, Wansik and Laurent (2000).

3. Perceived Public Relation

Third variable in this research, perceived public relation approach refers to the ability to create positive feelings, then customers will not stop buying or interacting with the organization (Achilov, 2016). Moreover, previous study found that public relations have been considered as the most important element in increasing sales of the company because it gains trustworthiness of the potential customers (Papasolomou *et al.*, 2014). In this case, it refers to whether public relation of CTB Siliwangi perceived reliable or not. The measurement of perceived public relation contained seven items and modified to the context of this study and using Likert scale. The list of questions adopted from Papasolomou *et al.*, (2014).

4. Perceived Personal Selling

Fourth variable in this research, perceived sales person refers as the expertise will influence consumers pay more attention to the advice (Woodside & Davenport, 1974). Perceived expertise salesperson will positively affect the success rate that has influence on the customers because it shows familiarity to the products (Busch & Wilson, 1976; Crosby *et al.*, 1990). In this case, it refers whether perceived personal selling of CTB Siliwangi considered an expert or not by the potential buyers. The measurement of

perceived personal selling contained seven items and modified to the context of this study and using Likert scale. The list of questions adopted from Busch and Wilson (1976).

5. Purchase Intention

Fifth variable in this research, purchase intention refers to the desire of potential market to buy particular product or service by which activities and characteristics of a firm able to direct customer's perception to trust which can give positive influence on purchase intention (Wiedenfels, 2009). In this case, it refers to whether perceived promotional mix has a successful impact to purchase intention. The measurement of perceived purchase intention contained seven items and modified to the context of this study and using Likert scale. The list of questions adopted from Lautiainen (2015).

Data Analysis

From the 205 responses that were collected, we first tabulate the data to create its descriptive statistics. The biggest segment of this research is 18-20 year-old which account for 52%. And female is the most interested to visit café. Moreover, most of the respondents are college students which account for 84% and followed by the workers. Furthermore, 41% as the biggest segment for monthly expense more than Rp.2.000.001. And majority of the respondents prefer to spend money at café maximum of Rp. 70.000. In addition, potential buyers' motives to visit a café is dominantly to gather with friends by 39%, then followed by being productive at café by 31%. Also, friends became the most preferred source of information for cafe which account for 32% and followed by Instagram. However, factor that affect their decision to make a visit the most is friends recommendation by 18%, followed by price by 17% and café design by 15%. As for validity test, we use factor analysis to analyze whether the questionnaire was valid in representing each variable.

Conclusion & Recommendations

In conclusion, current potential customer's perception towards promotional mix of Coffee Toffee Bandung is positive and have significant impact to purchase intention except for sales promotion. Moreover, potential buyer's intention towards their promotional mix is still moderate since they are interested to make a visit but does not actually plan when to make a visit. In addition, correlation between perceived promotional mix and customer purchase intention is positive and highly impactful, as they are interested the most with the activities held at the café and how barista is serving customer.

Therefore, Coffee Toffee Bandung Siliwangi should position themselves for the upper class. As discussed before, sales promotion is perceived positive but does not give significant impact to purchase intention. Moreover, majority of the responses are also not willing to spend more than Rp.70.000 at café. Therefore, by giving more impactful sales promotion to student even though it does not give significant impact to purchase intention but still perceived positive, will help to increase brand awareness and reduce search and decision costs that will trigger them to actually plan to make a visit.

Moreover, Coffee Toffee Bandung (CTB) Siliwangi potential customer favor café as a place to gather with friends. And Instagram became their number one preference to look up for café. Then, CTB Siliwangi should build trustworthiness on the platform. In addition, beverages perceived positive the strongest by the potential buyers, thus it can be the opportunity to attract group of friends to enjoy varieties of unique beverages that comes with experience. It will surely increase WoM (word-of-mouth) and attract group of friends to visit. Also, majority of the potential customer favor café as a place to be productive with their work. Then, menu book should be placed on every table so that they will keep purchasing since they will stay much longer. And applying more bundling on beverages and dessert will attract students who wanted to be productive to purchase more.

The majority of CTB potential customer's source of information are friends and Instagram. Social media is the most powerful tool to reach wide range of audience. CTB Siliwangi can do collaboration with Instagram business accounts who are involved with foods and beverages such as popular foods bloggers @duniakulinerbdg, @lets.go.eat and @bandung_eatery on Instagram. Then, it is important to create a convincing and trustworthy CTB Instagram feeds by posting high quality filtered pictures and manage

the angle and placement of the pictures by color, as well as capturing café ambiance and keep updating the activities in the café.

In addition, Coffee Toffee Bandung must register one of their best posts on Instagram to advertise the account that will reach the targeted market based on location, age and gender. Lastly, creating short montage or cinematic videos and upload them on Instagram will help the potential buyers visualize the café layout and gain the trust. Montage or cinematic video should contain meaningful story such as the how coffee is made, the history of the café and other uniqueness that differ a café to another. Lastly, the strongest factors affecting majority of CTB Siliwangi potential buyers' decision to visit a café are friend recommendation and price. By that, friend recommendation is highly impactful towards behavioral intention, and so that it is important to keep CTB memorable to every potential buyer. Direct marketing should be applied as reminder and establish personalization. Email and food finder app should be very effective for direct marketing so that members and non-members can have the access to receive the information regarding exclusive promotions and upcoming activities or products information.

Research Limitation

There are several limitations with this research, which are 1) this research is limited in Bandung City, further research should expand to other cities and provinces to compare the result whether sales promotion effectiveness have an impact to purchase intention. 2) This research is limited in 4 promotional mix variables (direct marketing is not included). Based on previous research, there are several variables that also give impacts to purchase intention such as service quality, customer knowledge, perceived value and brand credibility. Those variables can be used for further research to measure purchase intention for café industry.

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